2013 Investment Climate Statement
BUREAU OF ECONOMIC AND BUSINESS AFFAIRS
Report

Foreign investments, combined with investments through government-linked corporations (GLCs), underpin Singapore's open, heavily trade-dependent economy. With the exception of restrictions in the financial services, professional services, and media sectors, Singapore maintains a predominantly open investment regime. The World Bank's "Doing Business 2012" report ranked Singapore as the easiest country in which to do business. "The Global Competitiveness Report 2012-13" by the World Economic Forum ranked Singapore as the second-most competitive economy globally. The U.S.-Singapore Free Trade Agreement (FTA), which came into force January 1, 2004, expanded U.S. market access in goods, services, investment, and government procurement, enhanced intellectual property protection, and provided for cooperation in promoting labor rights and the environment.

The Government of Singapore (GOS) is strongly committed to maintaining a free market but also takes a leadership role in planning Singapore's economic development. The government actively uses the public sector as both an investor and catalyst for development. As of November 2012, the top six Singapore-listed GLCs accounted for about 17 percent of total capitalization of the Singapore Exchange (SGX). Some observers have criticized the dominant role of GLCs in the domestic economy, arguing that it has displaced or suppressed private sector entrepreneurship and investment.

Singapore's aggressive pursuit of foreign investment as another pillar of its overall economic strategy has enabled the country to evolve into a base for multinational corporations (MNCs). The Economic Development Board (EDB), Singapore's investment promotion agency, focuses on securing major investments in high value-added manufacturing and service activities as part of a strategy to replace labor-intensive, low value-added activities that have migrated offshore.

Measure	**Year**	**Ranking**
TI Corruption Index	2012	#5
Heritage Economic Freedom	2012	#2
World Bank Doing Business	2012	#1

Openness to Foreign Investment

Singapore's legal framework and public policies are generally favorable toward foreign investors. Foreign investors are not required to enter into joint ventures or cede management control to local interests, and local and foreign investors are subject to the same basic laws. Apart from regulatory requirements in some sectors (see "Limits on National Treatment and Other Restrictions"), the government screens investment proposals only to determine eligibility for various incentive regimes (see Annex). Singapore places no restrictions on reinvestment or repatriation of earnings or capital. The judicial system upholds the sanctity of contracts, and decisions are effectively enforced.

Limits on National Treatment and Other Restrictions: Exceptions to Singapore's general openness to foreign investment exist in telecommunications, broadcasting, the domestic news media, financial services, legal, and other professional services, and property ownership. Under Singapore law, Articles of Incorporation may include shareholding limits that restrict ownership in corporations by foreign persons.

Telecommunications: The Telecoms Competition Code opened the industry in 2000 to foreign or domestic companies seeking to provide facilities-based (fixed line or mobile) or services-based (local, international, and callback) telecommunications services. Singapore Telecommunications (SingTel), the former monopoly and currently 52-percent government-owned, faces competition in all market segments. Its main competitors, MobileOne and StarHub, are also GLCs. As of December 2012, Singapore has 48 facilities-based (group) and 251 services-based (individual) operators.

Since January 2007, SingTel has been exempted from dominant licensee obligations for the residential and commercial portions of the retail international telephone services. SingTel has already been exempted from dominant licensee obligations for wholesale international telephone services since November 2003. IDA decided in June 2009, following a formal public consultation held in late 2008, that SingTel will be exempted from dominant licensee obligations for two services, i.e., Terrestrial International Private Leased Circuit, and Backhaul. SingTel has already been exempted from dominant licensee obligations for International Managed Data Services since April 2005.

U.S. and other companies remain concerned about the lack of transparency in some aspects of Singapore's telecommunications regulatory and rule-making process. In particular, there is no obligation to make information publicly available concerning a company's request for a stay of decision or the filing of an appeal, request public comments about such requests, or to publish a detailed explanation concerning final decisions made by IDA or the Ministry of Information, Communication and Arts (MICA).

Infrastructure for the next generation access network, a national broadband all-fiber network, is being built by OpenNet, a consortium formed by Canada's Axia Netmedia (which holds 30-percent ownership), SingTel (30 percent), Singapore Press Holdings (25 percent), and SP Telecommunications (15 percent). The network will be operated by Nucleus Connect, a wholly-owned subsidiary of StarHub. Operational separation is imposed on Nucleus Connect to maintain its independence from OpenNet, and to ensure that it provide services to all downstream operators on the same prices and terms and conditions, with the same processes and access to information. About 95 per cent of homes and offices have been hooked up to the fibre-optic broadband network as of end October 2012. When fully completed in mid 2013, the broadband network may allow fuller access to telecom services providers to reach homes and businesses without requiring access to SingTel-owned circuits.

In November 2011, the GOS amended the Telecommunications Act, giving it more power to curb monopolistic behavior in the telecommunications sector and ensure continuity in services. The aim is to ensure the sector remains competitive. The new law paves the way for the Government to issue a Separation Order to a telecommunications company (telco) that engages in anti-competitive behavior. Such an order would require the telco to divest of its assets or business to a separate entity, to ensure equal and open access. The GOS has assured businesses that it does not intend to exercise this power ”frivolously”, and it can do so only as a ”last resort” if other measures are insufficient in enhancing competition. The amendment also empowers the Minister of Information, Communications and the Arts to issue Special Administrative Orders (SAOs). An SAO is an order from the Minister directing the takeover of control of a telecommunication licensee’s affairs, business and property by another party, so as to ensure that a key telecommunication network or service continues to be functional, for public and national interest. Another amendment revises the maximum administrative financial penalty on telcos that breach regulations to 10% of the annual business turnover for licensable services of a licensee, or US$ 820,000 (S$1 million), whichever is higher. This is to ensure that the penalty framework continues to act as a sufficient deterrent to secure licensees’ compliance to regulatory conditions. If the penalty is not paid within a specified period, the Infocomm Development Authority (IDA) can cancel or suspend a part of or the whole license given to a telco, or reduce the license period.

Media: The local free-to-air broadcasting, cable and newspaper sectors are effectively closed to foreign firms. Section 47 of the Broadcasting Act restricts foreign equity ownership of companies broadcasting to the Singapore domestic market to 49 percent or less, although the Act does allow for exceptions. Individuals cannot hold more than three percent of the ordinary shares issued by a broadcasting company without the government's prior approval.

The Newspaper and Printing Presses Act restricts equity ownership (local or foreign) to five percent per shareholder and requires that directors be Singapore citizens. Newspaper companies must issue two classes of shares, ordinary and management, with the latter available only to Singapore citizens or corporations approved by the government. Holders of management shares have an effective veto over selected board decisions. The government controls distribution, importation and sale of any "declared" foreign newspaper, and significantly restricts freedom of the press, having curtailed or banned the circulation of some foreign publications. The government has also "gazetted" foreign newspapers, i.e., numerically limited their circulation. Singapore's leaders have brought defamation suits against foreign publishers. Such suits have resulted in the foreign publishers issuing apologies and paying damages.

While local media is government controlled, in practice there are no restrictions on the internet, and Singaporeans have uncensored access to international media.

MediaCorp TV is the only free-to-air TV broadcaster; the government owns 80 percent and SGX listed Singapore Press Holdings (SPH) owns the remaining 20 percent. Pay-TV providers StarHub Cable Vision (SCV) and MioTV are wholly-owned subsidiaries of StarHub and SingTel, respectively. Free-to-air radio broadcasters are mainly government-owned, with MediaCorp Radio Singapore being the largest operator. BBC World Services is the only foreign free-to-air broadcaster in Singapore.

The Media Development Authority (MDA) introduced new measures in March 2010 that would require pay TV companies to cross carry content subject to exclusive carriage provisions. Henceforth, a pay TV company with an exclusive contract for a channel would be required to share that content with other pay TV companies at their request. Content providers consider the measures an unnecessary interference in a competitive market that would deny content holders the ability to negotiate freely in the marketplace, and an interference with their ability to manage and protect their intellectual property. The policy took effect August 1, 2011. Since then, only one exclusive content contract has been subject to the measure, i.e. the UEFA Euro 2012. In October 2012, SingTel announced it had secured broadcast rights for the English Premier League (EPL) for another three seasons (starting in the second half of 2013) in a non-exclusive deal, leaving the door open for rival StarHub to try and acquire rights to screen the games for its customers too. According to MDA, the key objective of the cross-carriage measure was to rectify the high degree of content fragmentation in the Singapore pay-TV market, and shift the focus of competition from an exclusivity-centric strategy to other aspects such as service differentiation and competitive packaging.   More common content is now available across the different pay-TV platforms, from only seven channels in 2010 to over 40 channels in November 2012, and the operators are beginning to differentiate themselves by originating their own content, offering subscribed content online via PCs and tablet computers, and delivering content via fibre networks.

Banking: The Monetary Authority of Singapore (MAS) regulates all banking activities as provided for under the Banking Act. Singapore maintains legal distinctions between foreign and local banks, and the type of license (i.e., full service, wholesale, and offshore) held by foreign banks. As of December 1 2012, 27 foreign full service licensees, 52 wholesale licensees, and 37 offshore licensees operated in Singapore. All offshore banks are eligible to be upgraded to wholesale bank status based on MAS criteria to enable them to conduct a wider range of activities. Except in retail banking, Singapore laws do not distinguish operationally between foreign and domestic banks.

The government initiated a banking liberalization program in 1999 to ease restrictions on foreign banks and has supplemented this with phased-in provisions under the FTA. These measures include removal of a 40-percent ceiling on foreign ownership of local banks and a 20-percent aggregate foreign shareholding limit on finance companies. The GOS has stated publicly, however, that it will not approve any foreign acquisition of a local bank. Acquisitions exceeding prescribed thresholds of 5 percent, 12 percent or 20 percent of the shares or voting power of a local bank require the approval of the Minister in charge of MAS.

Of the 27 full service licenses granted to foreign banks, four have gone to U.S. banks. Ten of the 27 full service licensees (including one U.S. bank) have been granted "qualifying full bank" (QFB) status. U.S. financial institutions enjoy phased-in benefits under the FTA. Since January 2006, U.S.-licensed full service banks that are also QFBs have been able to operate at an unlimited number of locations (branches or off-premises ATMs) versus 25 for non-U.S. full service foreign banks with QFB status. U.S. and foreign full-service banks with QFB status can freely relocate existing branches and share ATMs among themselves. They can also provide electronic funds transfer and point-of-sale debit services, and accept services related to Singapore's compulsory pension fund.

Locally and non-locally incorporated subsidiaries of U.S. full-service banks with QFB status can apply for access to local ATM networks. However, no U.S. bank has come to a commercial agreement to gain such access. Singapore lifted its quota on new licenses for U.S. wholesale banks in January 2007. Singapore abolished quotas on new licenses for full-service foreign banks in July 2005.

Despite liberalization, U.S. and other foreign banks in the domestic retail banking sector still face barriers. Local retail banks do not face similar constraints on customer service locations or access to the local ATM network. Holders of credit cards issued locally by foreign banks or other financial institutions sometimes cannot access their accounts through the local ATM networks. They are also unable to access their accounts for cash withdrawals, transfers or bill payments at ATMs operated by banks other than those operated by their own bank or at foreign banks' shared ATM network. Nevertheless, full-service foreign banks have made significant inroads in other retail banking areas, with substantial market share in products like credit cards and personal and housing loans.

U.S. industry advocates enhancements to Singapore's credit bureau system, in particular, adoption of an open admission system for all lenders, including non-banks. There are currently two credit bureaus in Singapore, Credit Bureau (Singapore) Private Ltd. ("CBS") and Credit Scan..

Securities and Asset Management: Singapore has no trading restrictions on foreign-owned stockbrokers. There is no cap on the aggregate investment by foreigners regarding the paid-up capital of dealers that are members of the SGX. Direct registration of foreign mutual funds is allowed, provided MAS approves the prospectus and the fund. The FTA has relaxed conditions that foreign asset managers must meet in order to offer products under the government-managed compulsory pension fund (Central Provident Fund Investment Scheme).

Legal Services: As of September 2012, 24 of the 118 foreign law firms in Singapore were from the United States. In December 2008, Singapore granted Qualifying Foreign Law Practice (QFLP) licenses to six foreign law firms (including two U.S. firms) to practice Singapore law, although restrictions remain in certain areas, including conveyance, criminal law, family law, and domestic litigation. Foreign law firms can otherwise provide legal services in relation to Singapore law only through a Joint Law Venture (JLV) or Formal Law Alliance (FLA) with a Singapore law firm, in accordance with the relevant legislation. The Joint Law Venture is a collaboration between a Foreign Law Practice and Singapore Law Practice. There is no express prescription regarding the shares in that collaboration that can be held by either of the constituent parties. It is expected the shareholdings in that collaboration would be agreed between the constituent parties as equals . The Attorney-General will consider all the relevant circumstances including the proposed structure and its overall suitability to achieve the objectives for which Joint law Ventures are permitted to be established in deciding on its approval. Currently, there are two U.S. Joint Law Ventures. U.S. and foreign attorneys are allowed to represent parties in arbitration without the need for a Singapore attorney to be present. With the exception of law degrees from a handful of designated U.S., British, Australian, and New Zealand universities, no foreign university law degrees are recognized for purposes of admission to practice law in Singapore. Under the FTA, Singapore recognizes law degrees from Harvard University, Columbia University, New York University, and the University of Michigan. Singapore will admit to the Bar Singapore-citizen or permanent-resident law school graduates of those designated universities who are ranked among the top 70 percent of their graduating class or have obtained lower-second class honors (under the British system).

Engineering and Architectural Services: Engineering and architectural firms can be 100 percent foreign-owned. Only engineers and architects registered with the Professional Engineers Board and the Architects Board, respectively, can practice in Singapore. All applicants (both local and foreign) must have at least four years of practical experience in engineering or architectural works, and pass an examination set by the respective Board.

Accounting and Tax Services: The major international accounting firms operate in Singapore. Public accountants and at least one partner of a public accounting firm must reside in Singapore. Only public accountants who are members of the Institute of Certified Public Accountants of Singapore and registered with the Public Accountants Board may practice in Singapore. The Board recognizes U.S. accountants registered with the American Institute of Certified Public Accountants.

Real Estate: Foreigners are not allowed to purchase public housing (HDB) in Singapore. Under the Residential Property Act, foreigners are allowed to purchase private sector housing (condominiums or any unit within a building) without the need to obtain prior approval from the

Singapore Land Authority. However, foreigners are not allowed to acquire all the apartments within a building or all the units in an approved condominium apartment without prior approval. For landed homes (houses) and vacant residential land, prior approval is required. There are no restrictions on foreign ownership of industrial and commercial real estate. In December 2011, the GOS enacted an additional effective 10% tax on foreigners who purchase homes in Singapore, however, U.S. citizens are exempt from this tax due to the U.S.-Singapore FTA.

Energy: Singapore completed efforts to liberalize its gas market with the amendment of the Gas Act and implementation of a Gas Network Code in 2008, which were designed to give gas retailers and importers direct access to the onshore gas pipeline infrastructure. However, key parts of the local gas market, such as gas retailing and access to offshore gas pipelines, remain controlled by incumbent Singaporean firms. In the past, the dominance of Singaporean government-linked corporations in this sector proved challenging for American companies that tried to enter the power generation and gas import business.

Conversion and Transfer Policies

The FTA commits Singapore to the free transfer of capital, unimpeded by regulatory restrictions. Singapore places no restrictions on reinvestment or repatriation of earnings and capital, and maintains no significant restrictions on remittances, foreign exchange transactions and capital movements. (See "Efficient Capital Markets" for a discussion of certain restrictions on the borrowing of Singapore Dollars (SGD) for use offshore.)

Expropriation and Compensation

The FTA contains strong investor protection provisions relating to expropriation and due process; provisions are in place for fair market value compensation for any expropriated investment.

Singapore has not expropriated property owned by foreign investors and has no laws that force foreign investors to transfer ownership to local interests. No significant disputes are pending.

Singapore has signed investment promotion and protection agreements with a wide range of countries (see "Bilateral Investment Agreements" below). These agreements mutually protect nationals or companies of either country against war and non-commercial risks of expropriation and nationalization for an initial period of 15 years and continue thereafter unless otherwise terminated.

Dispute Settlement

All core obligations of the FTA are subject to the dispute settlement provisions of the Agreement. The dispute settlement procedures promote compliance through consultation and trade-enhancing remedies, rather than relying solely on trade sanctions. The procedures also set higher standards of openness and transparency.

Singapore enacted and subsequently amended the Arbitration Act of 2001 for domestic arbitration based on the United Nations Commission on International Trade Law (UNCITRAL) Model Law. Singapore ratified the recognition and enforcement of Foreign Arbitration Awards (New York, 1958) on August 21, 1986, and the International Convention on the Settlement of Investment Disputes on November 13, 1968. The Singapore International Arbitration Center (SIAC) and the Singapore Mediation Center (SMC) actively promote mediation and reconciliation for settling commercial disputes.

Performance Requirements/Incentives

In general, Singapore complies with WTO Trade-Related Investment Measures (TRIMS) obligations. The FTA prohibits and removes certain performance-related restrictions on U.S. investors such as limitations on the number of customer service locations for the retail banking sector.

There are no discriminatory or preferential export or import policies affecting foreign investors. The government does not require investors to purchase from local sources or specify a percentage of output for export. The government also does not require local equity ownership in the investment. There are no rules forcing the transfer of technology. Foreign investors face no requirement to reduce equity over time and are free to obtain their necessary financing from any source. Employment of host country nationals is not required.

Singapore offers numerous incentives to encourage foreign investors to start up businesses; particularly in targeted growth sectors (see Annex).

Right to Private Ownership and Establishment

Foreign and local entities may readily establish, operate, and dispose of their own enterprises in Singapore. Except for representative offices (where foreign firms maintain a local representative but do not conduct commercial transactions in Singapore), there are no restrictions on carrying out remunerative activities.

All businesses in Singapore must be registered with the Accounting and Corporate Regulatory Authority. Foreign investors can operate their businesses in one of the following forms: sole proprietorship, limited partnership, incorporated company, foreign company branch or representative office.

Private businesses, both local and foreign, compete on a generally equal basis with GLCs, although some observers have complained that GLCs benefit from cheaper financing due to an implicit government guarantee. Singapore officials reject such assertions, arguing that the government does not interfere with the operations of GLCs or grant them special privileges, preferential treatment or hidden subsidies, adding that GLCs are subject to the same regulatory regime and discipline of the market as private sector companies. Many observers, however, have been critical of cases where GLCs have entered into new lines of business or where government agencies have "corporatized" certain government functions, in both circumstances entering into competition with already-existing private businesses.

The FTA contains specific conduct guarantees to ensure that GLCs will operate on a commercial and non-discriminatory basis towards U.S. firms. GLCs with substantial revenues or assets are also subject to enhanced transparency requirements under the FTA. In accordance with its FTA commitments, Singapore enacted the Competition Act in 2004 and established the Competition Commission of Singapore in January 2005. The Act contains provisions on anti-competitive agreements, decisions, and practices; abuse of dominance; enforcement and appeals process; and mergers and acquisitions.

Singapore has an extensive network of GLCs that are active in many sectors of the economy. Some sectors, notably telecommunications and financial services, are subject to sector-specific regulatory bodies and competition regulations typically less rigorous than those being implemented under the Competition Act.

Protection of Property Rights

In line with its FTA commitments and obligations under international treaties and conventions, Singapore has developed one of the stronger intellectual property rights (IPR) regimes in Asia, although concerns remain in certain areas such as business software piracy, online piracy and enforcement. Singapore has taken steps to bring its IPR laws in line with international standards, including amending its Trademarks Act, Patents Act, the Layout Designs of Integrated Circuits Act, Registered Designs Act, and new Plant Varieties Protection Act. In accordance with its FTA obligations, Singapore has implemented Article 1 through Article 6 of the Joint Recommendation concerning Provisions on the Protection of Well-Known Marks of 1999. It has signed and ratified the International Convention for the Protection of New Varieties of Plants (1991) and the Convention Relating to the Distribution of Program-Carrying Signals Transmitted by Satellite (1974).

Singapore is a member of the WTO and a party to the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). It is a signatory to other international copyright agreements, including the Paris Convention, the Berne Convention, the Patent Cooperation Treaty, the Madrid Protocol, and the Budapest Treaty. The World Intellectual Property Organization (WIPO) Secretariat opened offices in Singapore in 2005. Amendments to the Trademark Act, which took effect in January 2007, fulfill Singapore's obligations in WIPO's revised Treaty on the Law of Trademarks.

According to industry estimates, between 45 and 50 per cent of Internet users in Singapore accessed unlicensed sites which illegally host music and movies, among other files, for free downloading in early 2012. Singapore's piracy rate was 33 percent for business software. Business software piracy levels in Singapore are among the lowest in Asia but are considerably higher than in the United States in percentage terms. Business software losses were estimated at $255 million in 2011. Rights holders have encountered difficulties when attempting to prosecute intellectual property cases based on tips provided by company insiders. Singapore currently does not offer specific protection to "whistleblowers". As a result, in some cases informants have refused to provide crucial testimony in court. Rights holders have also stated that maximum penalties for copyright infringement in Singapore are not sufficiently high to deter future IPR violations. Music and film industry representatives remain concerned that Internet piracy will continue to rise as Singapore expands access to its high-speed broadband network. Rights holders are displeased with the lack of action taken by Internet Service Providers when notified of infringing material hosted on their servers.

The FTA ensures that government agencies will not grant approval to patent-violating products, but Singapore does allow parallel imports. Under the amended Patents Act, the patent owner has the right to bring an action to stop an importer of "grey market goods" from importing the patent owner's patented product if the product has not previously been sold or distributed in Singapore.

The FTA ensures protection of test data and trade secrets submitted to the government for product approval purposes. Disclosure of such information is prohibited for a period of five years for pharmaceuticals and ten years for agricultural chemicals. Singapore has no specific legislation concerning trade secrets. Instead, it protects investors' commercially valuable proprietary information under common law by the Law of Confidence. U.S. industry has expressed concern that this provision is inadequate.

Transparency of the Regulatory System

The FTA enhances transparency by requiring regulatory authorities, to the extent possible, to consult with interested parties before issuing regulations, to provide advance notice, and comment periods for proposed rules, and to publish all regulations.

The government has established a centralized Internet portal -- **www.reach.gov.sg** -- to solicit feedback on selected draft legislation and regulations, a process that is being used with increasing frequency. As noted in the "Openness to Foreign Investment" section, some U.S. companies, in particular, in the telecommunications and media sectors, are concerned about the government's lack of transparency in its regulatory and rule-making process.

Singapore strives to promote an efficient, business-friendly regulatory environment. Tax, labor, banking and finance, industrial health and safety, arbitration, wage and training rules and regulations are formulated and reviewed with the interests of both foreign investors and local enterprises in mind. Starting in 2005, a Rules Review Panel, comprising senior civil servants, began overseeing a review of all rules and regulations; this process will be repeated every five years. A Pro-Enterprise Panel of high-level public sector and private sector representatives examines feedback from businesses on regulatory issues and provides recommendations to the government.

Local laws give regulatory bodies wide discretion to modify regulations and impose new conditions, but in practice agencies use this positively to adapt incentives or other services on a case-by-case basis to meet the needs of foreign as well as domestic companies.

Procedures for obtaining licenses and permits are generally transparent and not burdensome, but some exceptions apply. Procedures can be faster for investors in areas considered national priorities. Singapore has established an online licensing portal to provide a one-stop application point for multiple licenses -- https://licences.business.gov.sg.

Corporate Governance: Singapore has a private sector-led Council on Corporate Disclosure and Governance to implement the country's Code of Corporate Governance. Compliance with the Code is not mandatory but listed companies are required under the Singapore Exchange Listing Rules to disclose their corporate governance practices and give explanations for deviations from the Code in their annual reports.

Accounting Standards: Singapore's prescribed accounting standards ("Financial Reporting Standards" or FRS) are aligned with those of the International Accounting Standards Board. Companies can deviate from these standards when required to present a "true and fair" set of financial statements. Singapore-incorporated, publicly-listed companies can use certain alternative standards such as International Accounting Standards (IAS) or the U.S. Generally Accepted Accounting Principles (U.S. GAAP) if they are listed on foreign stock exchanges that require these standards. They do not need to reconcile their accounts with FRS. All other Singapore-incorporated companies must use FRS unless the Accounting and Corporate Regulatory Authority exempts them.

Efficient Capital Markets and Portfolio Investment

Singapore actively facilitates the free flow of financial resources. Credit is allocated on market terms and foreign investors can access credit, U.S. dollars, Singapore dollars (SGD), and other foreign currencies on the local market. The Monetary Authority of Singapore (MAS) formulates and implements the country's monetary and exchange rate policy, and supervises and regulates the country's sophisticated financial and capital markets.

Total assets under management in Singapore stood at $1.03 trillion at the end of 2011, a 1.2 percent year-on-year dip amid volatile global financial markets,. Over 70 percent of the funds managed in Singapore are foreign sourced, with 60 percent of these funds invested in the Asia-Pacific region. The government has sought to boost the country's asset management sector by placing with foreign-owned firms a significant portion of government reserves managed by the

Government of Singapore Investment Corporation (GIC). Singapore-based companies issued approximately US$ 26.9 billion in corporate debt instruments in the first 9 months of 2012, more than double the US$12.4 billion the same period in 2011.

Singapore's banking system is sound and well-regulated. Total domestic banking assets were about US$741.95 billion as of September 2012. Local Singapore banks are relatively small by regional standards, but are reasonably profitable and have stronger capital levels and credit ratings than many of their peers in the region. As of third quarter 2012, the non-performing loans (NPLs) ratio of the three local banks averaged 1.2 percent. Banks are statutorily prohibited from engaging in non-financial business. Banks can hold 10 percent or less in non-financial companies as an "equity portfolio investment."

The Securities and Futures Act (SFA) of 2002 moved Singapore's capital markets to a disclosure-based regime. The SFA allows for imposition of civil or criminal penalties against corporations listed on the Singapore Exchange (SGX) that fail to disclose material information on a continuous basis. Listed companies are required to prepare quarterly financial reporting. The SFA requires persons acquiring shareholdings of five percent or more of the voting shares of a listed company to disclose such acquisitions as well as any subsequent changes in their holdings directly to the SGX within two business days. The SFA also contains enhanced market misconduct provisions. The Act was further strengthened in 2009 to provide for stronger market misconduct enforcement with the courts empowered to order disgorgement of gains from illegal trades, and allowing the transfer of evidence between the Commercial Affairs Department of the police force and MAS.

Competition from State-Owned Enterprises

Singapore has an extensive network of government-linked corporations (GLC) that are fully or partially owned by Temasek Holdings, a holding company with the Singapore Ministry of Finance as its sole shareholder. As previously noted, Singapore GLCs are active in many sectors of the economy, especially strategically important sectors like telecommunications, media, public transportation, defense, port, and airport operations. In addition, the GLCs are also present in many other sectors of the economy, including banking, shipping, airline, consumer/lifestyle, infrastructure, and real estate.

GLCs operate on a commercial basis and have no specific advantage in competing with private enterprises based on their government ownership. However, some private sector companies have said they encountered unfair business practices and opaque bidding processes that appeared to favor incumbent, government-linked firms.

GLCs' corporate governance is guided by policies developed by Temasek Holdings. However, there are differences in corporate governance disclosures and practices across them and GLC boards are allowed to determine their own governance practices. GLC board seats are not specifically allocated to government officials, although retired officials are often represented on boards and fill senior management positions.

There are two sovereign wealth funds (SWF) in Singapore, the Government of Singapore Investment Corporation (GIC) and the previously- mentioned Temasek Holdings. The government established the two SWFs to manage Singapore's substantial investments, fiscal, and foreign reserves.

GIC, Singapore's largest SWF with an estimated $220 billion in assets, does not invest domestically. GIC manages Singapore's international investments, which are generally passive (non-controlling) investments in publicly-traded entities. Its investment is entirely overseas, with the United States as its top destination, accounting for 33 percent of GIC's portfolio as of March 2012. Although not required by law, since 2008 GIC has published an annual report describing its management and governance, and how it invests Singapore's foreign reserves.

Temasek began as a holding company for Singapore's state-owned enterprises, but has since branched to other asset classes and generally focuses on holding significant (often controlling) stakes in companies. As of March 2012, Temasek's exposure to Singapore was 30%, with the rest of Asia accounting for 42% of its portfolio. Temasek's stated goal is to hold and manage the government's investments in companies for the long-term benefit of Singapore, to create jobs, and contribute to Singapore's economic survival, progress and prosperity. Temasek formerly focused on managing industries to promote economic development, but has shifted emphasis to commercial objectives and principles. Temasek exercises its shareholder rights to influence the strategic directions of its companies but does not get involved in the day-to-day business and commercial decisions of its firms and subsidiaries. Temasek publishes an annual report, but only provides consolidated financial statements, which aggregate all of Temasek's subsidiaries into a single financial report.

Corporate Social Responsibility

The awareness and implementation of CSR in Singapore has been increasing since the government's formation of the Singapore Compact, a national society promoting CSR in Singapore. In May 2004, the National Tripartite Committee on CSR was established to study the issues holistically and address any gaps at the national level. The initiative provides strategic direction and overall coordination for various CSR programs, which include helping small and medium-sized enterprises (SMEs) adopt good CSR practices. In January 2005, the Singapore Compact for Corporate Social Responsibility was set up to provide a forum for collaboration, support, and information sharing on good CSR practices.

In October 2008, a National CSR Survey released by the Singapore Compact showed that 40% of the 507 Singapore-based companies surveyed were aware of CSR. The awareness level among large companies was twice that of SMEs. Among the companies that were aware of CSR, about two-thirds have implemented CSR in areas such as sustainable development, fair employment, and corporate philanthropy. Their main motivations were corporate culture and to improve branding. The other one-third, who did not implement CSR, felt that it was not relevant to their business or lacked the funding and training resources. The Singapore Stock Exchange implemented a requirement in June 2011 that listed companies report on their sustainable business practices. **Political Violence**

Singapore's political environment is stable and there is no history of incidents involving politically motivated damage to foreign investments in Singapore. The ruling People's Action Party (PAP) has dominated Singapore's parliamentary government since 1959, and currently controls 81 of the 87 regularly contested parliamentary seats. Singapore opposition parties, which currently hold six regularly contested parliamentary seats and three additional seats reserved to the opposition by the constitution, do not usually espouse views that are radically different from the mainstream of Singapore political opinion.

Corruption

Singapore typically ranks as the least corrupt country in Asia and one of the least corrupt in the world. For years Singapore was number one (i.e., least corrupt) on watchdog group Transparency International (TI)’s global index, but due to TI’s new ranking methodology starting 2011, Singapore is now fifth. TI has said the lower ranking is statistically insignificant and does not indicate increased corruption in Singapore.

Singapore actively enforces its strong anti-corruption laws. The Prevention of Corruption Act, and the Drug Trafficking and Other Serious Crimes (Confiscation of Benefits) Act provide the legal basis for government action by the Corrupt Practices Investigation Bureau, an anti-corruption agency that reports to the Prime Minister. These laws cover acts of corruption both within Singapore as well as those committed by Singaporeans abroad. When cases of corruption are uncovered, whether in the public or private sector, the government deals with them firmly, swiftly and publicly, as they do in cases where public officials are involved in dishonest and illegal behavior.

Singapore is not a party to the OECD Convention on Combating Bribery, but the Prevention of Corruption Act makes it a crime for a Singapore citizen to bribe a foreign official or any other person, whether within or outside Singapore.

Bilateral Investment Agreements

Singapore has signed Investment Guarantee Agreements (IGA's) with 41 countries, including the United States. These agreements mutually protect nationals or companies of either country against war and non-commercial risks of expropriation and nationalization.

Singapore has signed free trade agreements that include investment chapters with Australia, China, the European Free Trade Area (Switzerland, Norway, Lichtenstein, and Iceland), the Gulf

Cooperation Council (comprising Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates), India, Japan, Jordan, New Zealand, Panama, Peru, South Korea, Costa Rica, European Union, and the United States. Singapore is negotiating FTAs with Canada, Mexico, Pakistan, Taiwan, Turkey, and Ukraine. Singapore is a member of the Association of Southeast Asian Nations (ASEAN), which has concluded FTAs with Australia and New Zealand, China, India, and South Korea, and a Comprehensive Economic Partnership Agreement with Japan. Singapore is also a party in the Transpacific Strategic Economic Partnership Agreement together with Chile, New Zealand, and Brunei. These four nations formed the basis for the Trans-Pacific Partnership, a multi-lateral free trade agreement currently in negotiations that now includes the U.S. and six other countries. Singapore is also leading the goods chapters negotiations for the Regional Comprehensive Economic Partnership (RCEP) FTA which was launched in November 2012 and includes ASEAN members plus Australia, China, India, Japan, New Zealand, and South Korea. Singapore has signed Comprehensive Avoidance of Double Taxation Agreements with a number of countries, but not with the United States.

OPIC and Other Investment Insurance Programs

Under the 1966 Investment Guarantee Agreement with Singapore, the U.S. Overseas Private Investment Corporation (OPIC) offers insurance to U.S. investors in Singapore against currency inconvertibility, expropriation, and losses arising from war. Singapore became a member of the Multilateral Investment Guarantee Agency (MIGA) in 1998.

Labor

As of mid-2011, Singapore's labor market totaled 3.24 million workers; this includes about 1.16 million foreigners, of which about 85 percent are unskilled or semi-skilled workers. Local labor laws are flexible, and allow for relatively free hiring and firing practices. Either party can terminate employment by giving the other party the required notice. The Ministry of Manpower (MOM) must approve employment of foreigners. Since 2011 the Government has introduced policy measures to support productivity increases coupled with reduced dependence on foreign labor. The MOM has started tightening foreign labor approvals, resulting in many businesses in Singapore voicing discontent at not being able to access sufficient labor.

Singapore imposes a ceiling on the ratio of unskilled/semi-skilled foreign workers to local workers that a company can employ, and charges a monthly levy for each unskilled or semi-skilled foreign worker. The government also provides incentives and assistance to firms to automate and invest in labor-saving technology.

Labor-management relations in Singapore are generally amicable. Slightly over 20 percent of the workforce is unionized. The majority of unions are affiliated with the National Trades Union Congress (NTUC), which maintains a symbiotic relationship with the PAP ruling party. Although workers, other than those employed in the three essential services of water, gas and electricity, have the legal right to strike, no workers did so between 1986-2011. In November

2012, some 171 SMRT bus drivers from China held an illegal strike. The drivers complained about poor living conditions and lower wages compared to Malaysian drivers. The incident resulted in a total of 5 Chinese drivers being charged in Singapore court for instigating the strike and another 29 Chinese SMRT bus drivers having their work permits revoked and being sent home. Singapore has no minimum wage law; the government follows a policy of allowing free market forces to determine wage levels. Singapore has a flexible wage system in which the National Wage Council (NWC) recommends non-binding wage adjustments on an annual basis. The NWC is a tripartite body comprising a Chairman and representatives from the Government, employers and unions. The NWC recommendations apply to all employees in both domestic and foreign firms, and across the private and public sectors. While the NWC wage guidelines are not mandatory, they are widely implemented. The level of implementation is generally higher among unionized companies compared to non-unionized companies.

Foreign Trade Zones/Free Trade Zones

Singapore has eight free-trade zones (FTZs), six for seaborne cargo and two for airfreight. The FTZs may be used for storage and repackaging of import and export cargo, and goods transiting Singapore for subsequent re-export. Manufacturing is not carried out within the zones. Foreign and local firms have equal access to the FTZ facilities.

Foreign Direct Investment Statistics

The United States is one of Singapore's largest foreign investors, with over 1,500 U.S. firms in operation. According to the Singapore Department of Statistics (Singapore DOS), U.S. cumulative foreign direct investments in Singapore totaled US$50.82 billion in 2010 (latest available data). According to U.S. Department of Commerce statistics (USDOC), U.S. firms (manufacturing and services) in 2011 had cumulative total investments in Singapore of $116.6 billion. Discrepancies between USG and GOS FDI numbers are attributable to differences in accounting methodologies.

http://www.state.gov/e/eb/rls/othr/ics/2012/191233.htm

TABLE A

STOCK OF FOREIGN DIRECT INVESTMENT (FDI) IN SINGAPORE BY COUNTRY

(As at Year-end, Historical Cost)

(US$ million)

	2007	2008	2009	2010
Total Foreign Direct Investment	322,978	353,195	408,487	480,448
United States	35,769	36,805	41,373	50,821
Canada	2,169	2,100	2,054	2,496
Australia	3,202	3,177	4,275	6,803
New Zealand	1,123	1,322	1,503	2,187
Europe	137,369	141,653	158,148	176,331
Denmark	1	2	2	4
France	7,605	6,606	5,705	6,218
Germany	6,402	7,801	7,935	9,100
Ireland	2,469	2,283	2,203	3,627
Netherlands	35,678	42,386	43,748	47,306
Norway	11,851	14,777	16,484	17,874
Switzerland	19,049	16,332	19,133	18,955
United Kingdom	43,386	34,792	35,271	38,868

Asian Countries	72,573	81,938	102,891	118,354
China	1,606	3,074	6,930	8,944
Hong Kong	4,479	7,987	12,510	14,238
Japan	32,987	34,855	35,907	41,894
South Korea	2,109	2,258	2,071	2,882
Taiwan	5,345	4,553	4,396	4,441
India	9,038	11,716	15,644	19,250
Asean	11,107	12,022	16,058	17,721
Brunei Darussalam	197	206	227	237
Indonesia	1,188	1,508	2,244	645
Malaysia	7,895	8,745	11,304	11,536
Philippines	683	216	770	1,031
Thailand	1,060	1,261	1,479	4,173
Vietnam	18	20	20	46
Cambodia	1	1	1	5
Myanmar	65	66	13	47
South & Central America/Caribbean	63,130	75,573	87,367	110,278
Other Countries Nec	7,642	10,627	10,876	13,177

Source: Department of Statistics, “Foreign Equity Investment in Singapore, 2010”

TABLE B

STOCK OF FOREIGN DIRECT INVESTMENT (FDI) IN SINGAPORE BY INDUSTRY

(As at Year-end, Historical Cost)

(US$ million)

	2007	2008	2009	2010
Total Foreign Direct Investment	322,978	353,195	408,487	480,448
Manufacturing	80,824	72,600	87,647	101,624
Construction	1,053	1,331	1,962	1,677
Wholesale & Retail Trade	53,159	64,298	70,835	85,322
Hotels & Restaurants	2,090	2,332	2,484	3,020
Transport & Storage	21,181	25,242	26,250	29,138
Information & Communications	3,390	3,566	4,205	5,242
Financial & Insurance Services	135,113	145,315	170,003	204,958
Real Estate Activities	8,948	10,212	12,333	15,314
Professional/ Technical/Admin Support Srves	15,685	24,714	27,236	27,631

Others	1,535	3,585	5,532	6,521

Source: Department of Statistics, “Foreign Equity Investment in Singapore, 2010”

TABLE C

STOCK OF DIRECT INVESTMENT ABROAD BY COUNTRY

(As at Year-end, Historical Cost)

(US$ Million)

	2007	2008	2009	2010
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Total Direct				
Investment	221,486	218,300	265,863	316,234
Asia	103,948	123,851	145,816	176,442
Asean	47,371	52,549	61,040	71,038
Brunei	133	111	144	141
Indonesia	13,995	15,533	18,715	20,399
Malaysia	15,842	17,403	20,543	24,212
Philippines	2,840	2,983	3,554	4,124
Thailand	11,762	13,352	13,860	15,108
Vietnam	1,470	1,971	2,231	2,173
Cambodia	118	186	255	299
Myanmar	1,110	863	1,577	4,401
Laos	101	148	161	182
Hong Kong	13,856	13,934	16,753	18,445
Taiwan	3,557	4,129	4,097	4,466

China	28,994	38,863	44,172	54,823
Japan	2,740	5,586	6,690	8,997
South Korea	2,122	1,758	1,831	1,996
India	3,219	4,684	7,786	9,988
Europe	32,262	25,791	36,449	40,496
Netherlands	2,708	3,000	3,543	3,404
United Kingdom	21,798	13,775	23,113	25,098
Norway	301	1,205	1,398	1,983
Germany	413	412	711	1,250
Switzerland	3,057	3,302	3,376	3,723
United States	9,648	8,154	9,359	10,917
Canada	70	44	596	599
Australia	11,844	12,592	16,526	22,363
New Zealand	1,056	642	798	828
Caribbean/Latin America	38,979	36,632	41,646	44,520
Other Countries nec	23,679	10,593	14,674	20,069

Source: Singapore's Investment Abroad, 2010

TABLE D

GDP AND FDI FIGURES, 2003-2010

(US$ Million)

Year	GDP*	FDI	FDI as ratio to GDP**
2003	95,955.7	144,746.83	1.51
2004	112,692.5	169,432.73	1.50
2005	125,413.7	194,580.64	1.55
2006	145,749.0	241,584.96	1.66
2007	177,579.7	322,977.80	1.82
2008	189,972.0	353,195.04	1.86
2009	185,639.5	408,487.25	2.20
2010	227,383.1	480,447.61	2.11

Footnote: *GDP at Current Market Price

**Based on Singapore dollars

Source: Department of Statistics

Table E – Top 20 Major Foreign Investors by Total Assets

Company	Country of Origin	Total Assets (US$ Bn)	Business Activities
Citibank Singapore	U.S.	26.8	Banking
Glaxo Wellcome Mfg.	U.K.	19.6	Healthcare
Prudential Assurance Co.	U.K.	17.6	Insurance
Exxonmobil Asia Pacific	U.S.	16.9	Chemicals
Shell Eastern Trading	Netherlands	15.9	Chemicals
Shell Eastern Petroleum	Netherlands	12.9	Chemicals
Hewlett-Packard			

Singapore	U.S.	9.9	Electronics
BP Singapore	U.K.	8.0	Fuels
BOC Aviation	PRC	7.2	Transport-Air
Pfizer Asia Pacific	U.S.	6.6	Healthcare
Marina Bay Sands	U.S.	6.5	Property
Kuok Singapore	Malaysia	6.4	Multi-industries
Lenovo Singapore	U.S.	5.7	Electronics
Richard Chandler Capital Corporation	New Zealand	5.6	Finance
Vitol Asia	Netherlands	5.3	Fuels
Agilent Technologies	U.S.	5.2	Electronics
A.P. Moller	Denmark	5.1	Transport-Marine
Cosco Corporation	PRC	4.8	Transport-Marine

Schering-Plough	U.S.	4.7	Healthcare
Guocoland Ltd	Bermuda	4.5	Property

Source: Singapore 1000, 2012

INCENTIVES ADMINISTERED BY THE MONETARY AUTHORITY OF SINGAPORE (MAS)

As part of the government's strategy to develop Singapore into a premier financial center, MAS offers tax incentives for financial institutions looking to set up operations here.

A. Financial Sector Incentive ("FSI") Scheme

B. Tax Incentive Scheme for Qualifying Processing Services Company

C. Tax Incentive Scheme for Offshore Insurance Business

D. Tax Exemption Scheme for Marine Hull & Liability Insurance Business

E. Abolition of Withholding Taxes on Financial Guaranty Insurance Contracts

F. Tax Incentive Scheme for Approved New Derivative Products traded on the Singapore Exchange

G. Tax Incentive Scheme for Finance and Treasury Centers

H. Tax Incentive Scheme for Approved Trustee Companies

I. Tax Incentive Scheme for Syndicated Facilities

J. Innovation in Financial Technology & Infrastructure Grant Scheme

K. Tax Incentive for Trading Debt Securities

L. Financial Sector Development Fund

M. Foreign Charitable Trust Incentive

N. Tax Incentive for Approved Fund Managers

O. Over-the-Counter (OTC) Financial Derivative Payments

P. Insurance and Re-insurance Broking Tax Incentive

Q. Wealth Management Tax Incentive

Further guidelines and application information are available at **http://www.mas.gov.sg**.

INCENTIVES ADMINISTERED BY THE ECONOMIC DEVELOPMENT BOARD (EDB)

A. Pioneer Status

B. Development & Expansion Incentive

C. Investment Allowance Incentive

D. Approved Foreign Loan Scheme

E. Approved Royalties Incentive

F. Entrepreneurship Investment Incentive

G. HQ Program

H. Double Deduction for Research and Development (R&D) Expenses

I. Research Incentive Scheme for Companies

J. Exemption of foreign sourced interest and royalty income for R&D purposes

K. Innovation Development Scheme

L. Initiatives in New Technology

M. Integrated Industrial Capital Allowance

N. Special Goods & Services Tax Scheme for 3rd Party Logistics Service Providers

O. The Enterprise Challenge (TEC) Scheme

P. Writing Down Allowance (WDA) for IP rights acquisition

Q. Global Investor Program

Further guidelines and application information are available at **http://www.edb.gov.sg.**

INCENTIVES ADMINISTERED BY INTERNATIONAL ENTERPRISE SINGAPORE (IE Singapore)

A. Double Tax Deduction (DTD) Scheme for Overseas Investment and Market Development

B. Export Coverage Scheme

C. Enterprise Fund

D. Loan Insurance Scheme 3

E. Loan Insurance Scheme Plus

F. Internationalization Finance Scheme

G. International Business Fellowship

Further guidelines and application information are available at **http://www.iesingapore.gov.sg**.

INCENTIVES ADMINISTERED BY THE MEDIA DEVELOPMENT AUTHORITY (MDA)

A. Market Development Scheme (MDS)

B. TV Content Industry Development Scheme

C. Digital Content Development Scheme

D. Digital Technology Development Scheme

E. INVIGORATE – PC Casual Game Initiative

F. Synthesis – Online Content Initiative

G. Film in Singapore! Scheme

H. International Cooperation Agreement

I. Short Film Grant

J. Overseas Travel Grant

K. New Feature Film Fund

L. Script Development Grant

M. Overseas Travel Grant

N. SCREEN – Scheme for Co-investment in Exportable Content

O. Media Education Scheme

P. 360-degree TV

Q. IDEAS (Animation Development)

R. Futurescape

S. Microsoft XNA Development Initiative

T. SPINE

U. 35mm Fulfillment Fund

V. Stereoscopic 3D Film Development Fund

Further guidelines and application information are available at **http://www.mda.gov.sg**.

INCENTIVES ADMINISTERED BY INFOCOMM DEVELOPMENT AUTHORITY OF SINGAPORE (IDA)

A. Infocomm@SeaPort

B. Infocomm@SME

C. Integrated Clinic Management Systems Program

D. Digital Manufacturing Program

E. Collaborative High Tech Manufacturing Plan

F. Retail eSCM Ecosystem

G. RFID Initiative

Further information, details, and guidelines are available at **http://www.ida.gov.sg**.

INCENTIVES ADMINISTERED BY MARITIME PORT AUTHORITY (MPA)

A. Approved International Shipping Enterprise Scheme

B. Approved Shipping and Logistics Scheme

C. Maritime Cluster Fund

D. Maritime Enterprise IT Development Program

E. Maritime Innovation and Technology Fund

F. Maritime Finance Incentive

G. Maritime Singapore Green Initiative

Further information, details and guidelines are available at **http://www.mpa.gov.sg**